

STANTON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Stanton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2006 Election)</b>		
David Brunning	President	2006
Chris Nelson	Vice President	2007
Jeff Magneson	Board Member	2007
Douglas Maher	Board Member	2008
Mark Lindgren	Board Member	2008
<b>Board of Education (After September 2006 Election)</b>		
David Brunning	President	2009
Chris Nelson	Vice President	2007
Jeff Magneson	Board Member	2007
Douglas Maher	Board Member	2008
Mark Lindgren	Board Member	2008
<b>School Officials</b>		
Judd Ashley	Superintendent	2007
Carla Olson	District Secretary	2007
LaDonna Rossander	District Treasurer	2007
Swanson Law Firm	Attorney	2007
Sue Seitz	Attorney	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
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(a professional corporation)  
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Stanton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Stanton Community School District, Stanton, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stanton Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 26, 2007 on our consideration of Stanton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We

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have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stanton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

December 26, 2007

## **STANTON COMMUNITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Stanton Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2007. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

These comparisons are to further explain the District's financial position and results of operations.

### **2007 Financial Highlights**

- General Fund revenues increased from \$2,114,883 (GAAP basis) in fiscal 2006 to \$2,148,760 in fiscal 2007, while General Fund expenditures also increased from \$2,158,471 in fiscal 2006 to \$2,199,691 in fiscal 2007. This resulted in a decrease in the District's Operating Fund (GAAP) balance from \$594,268 in fiscal 2006 to \$543,337 in fiscal 2007, which was an 8.57% decrease from the prior year. Increased costs of heating and vehicle fuels impacted total expenditures.
- The increase in General Fund revenues is attributable in part to receiving a REAP Grant for \$29,678, Title IIA Federal Teacher Quality Grant of \$12,708, for a total of \$42,386. The Board also approved a Budget Guarantee of \$66,987 so the shortfall in state funding due to declining enrollment would be replaced by property taxes. This year the school also received Medicaid reimbursement of \$2,178, and a Special Education Part B Grant of \$11,452, which helped offset costs of funding of the special education program.
- Numbers of students open enrolling into the Stanton Community School continue to have a positive impact on miscellaneous income, with the September count date in 2005 showing 83 students in and 8 out and count date in September 2006 having 73 students coming into the district and 7 out. This makes a total of 288.2 students who were provided instructional programs/services by the district in 2006-2007.
- Using 25% of Local Option Sales and Service Tax income for infrastructure purposes has allowed reallocation of some Operating Fund monies for use in areas other than property improvements.
- Renewal of the Instructional Support Levy, effective 2006 through 2011, based on 10% of Regular Program District Cost will be approximately \$124,233 annually before state adjustments. This helps provide relief for district taxpayers because it is a combination of state aid, income surtax and property tax.
- Board approval to use 75% of Local Option Sales and Service Tax income toward payment of outstanding General Obligation Bond indebtedness has helped to reduce the property tax rate for patrons.
- The district made the final payments of \$105,000 on its outstanding long-term debt this fiscal year, so no longer has any outstanding long-term debt.
- Slightly improved interest rates this year resulted in interest earnings in the General Fund increasing from \$14,396 in 2006 to \$16,828 in 2007.

- Major equipment purchases this fiscal year have included a 2004 Blue Bird 65 passenger, diesel bus; two refurbished Gestetner 6002 Digital Copiers; a Gestetner 5306L Copyprinter; five Dell computers for the high school lab; and a laptop computer for use by the principal.
- Facility improvements have included upgrading the concourse restrooms to be handicapped accessible; completion of a second restroom in the elementary teacher's lounge; and the Halland Sidewalk project along the east side of the school, which was a joint project of the school, Stanton City Council, and Stanton Optimist Club. This sidewalk runs from Elliott Street to connect with the Greenbelt Walking Trail.
- The K-6 reading program was also upgraded with all new textbooks and materials entitled "Reading Street."

### **Using This Annual Report**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Stanton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Stanton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Stanton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
***Stanton Community School District Annual Financial Report***

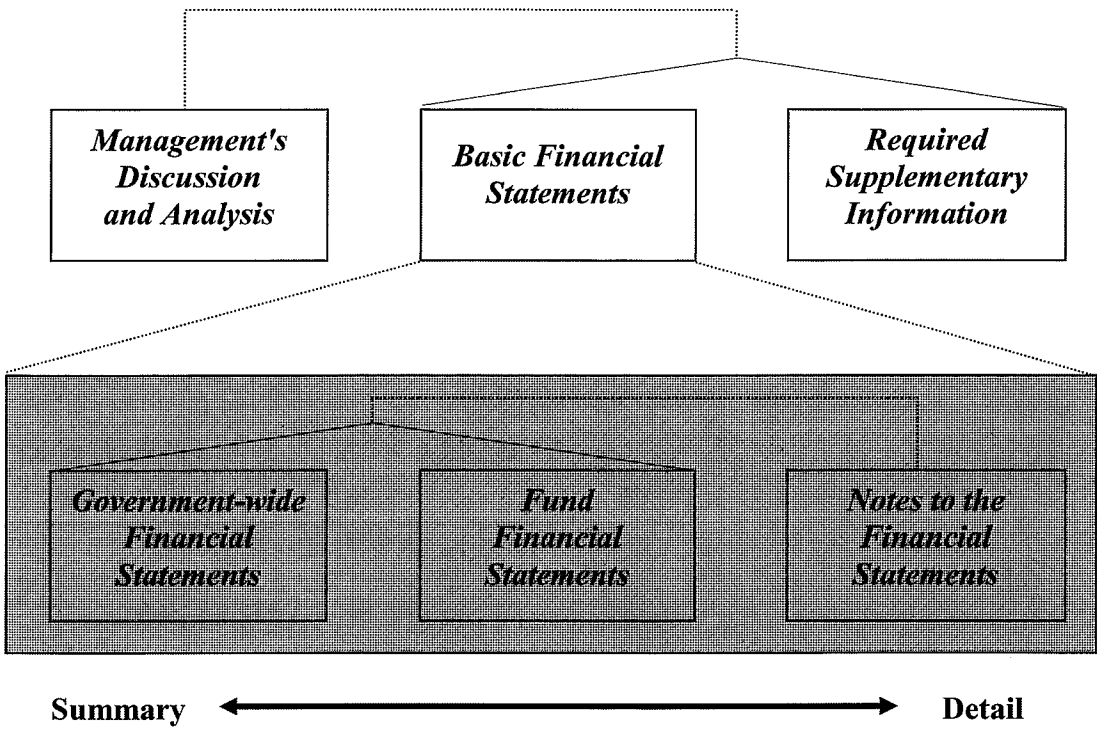




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Propriety Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/Outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## Reporting the District's Financial Activities

### Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The district charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spend in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.
  - The District's governmental funds include the General Fund; Special Revenue Funds; Debt Service Fund and the Capital Projects Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.
  - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the school nutrition fund.

- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

## Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 1,757,047	1,851,457	\$ 20,063	16,137	\$ 1,777,110	1,867,594	-4.84%
Capital assets	1,158,315	1,137,587	16,847	19,191	1,175,162	1,156,778	1.59%
Total assets	2,915,362	2,989,044	36,910	35,328	2,952,272	3,024,372	-2.38%
Long-term obligations	0	113,080	0	0	0	113,080	-100.00%
Other liabilities	806,695	855,536	5,037	5,116	811,732	860,652	-5.68%
Total liabilities	806,695	968,616	5,037	5,116	811,732	973,732	-16.64%
Net assets:							
Invested in capital assets, net of related debt	1,158,315	1,137,587	16,847	19,191	1,175,162	1,156,778	1.59%
Restricted	368,744	242,108	0	0	368,744	242,108	52.31%
Unrestricted	581,608	640,733	15,026	11,021	596,634	651,754	-8.46%
Total net assets	\$ 2,108,667	2,020,428	\$ 31,873	30,212	\$ 2,140,540	2,050,640	4.38%

The District's combined net assets increased 4.38% over the prior year. The largest portion of the District's net assets are invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 52.31% over the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements-decreased 8.46% over the prior year.

Figure A-4 illustrates the impact that results of operations had on changes in net assets in the fiscal year ending June 30, 2007 compared to June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 537,455	577,904	\$ 67,949	63,698	605,404	641,602	-5.64%
Operating grants and contributions and restricted interest	258,907	244,611	37,786	39,254	296,693	283,865	4.52%
Capital grants and contributions and restricted interest	7,809	0	0	0	7,809	0	100.00%
General revenues:							
Property tax	608,671	624,266	0	0	608,671	624,266	-2.50%
Income surtax	87,218	70,488	0	0	87,218	70,488	23.73%
Local option sales and service tax	131,760	117,650	0	0	131,760	117,650	0.00%
Unrestricted state grants	868,372	826,576	0	0	868,372	826,576	5.06%
Other	21,279	18,512	43	39	21,322	18,551	14.94%
Total revenues	<u>2,521,471</u>	<u>2,480,007</u>	<u>105,778</u>	<u>102,991</u>	<u>2,627,249</u>	<u>2,582,998</u>	<u>1.71%</u>
Program expenses:							
Governmental activities:							
Instruction	1,568,874	1,544,981	0	0	1,568,874	1,544,981	1.55%
Support services	743,563	717,724	0	0	743,563	717,724	3.60%
Non-instructional programs	1,005	875	104,117	105,026	105,122	105,901	-0.74%
Other expenses	119,790	136,475	0	0	119,790	136,475	-12.23%
Total expenses	<u>2,433,232</u>	<u>2,400,055</u>	<u>104,117</u>	<u>105,026</u>	<u>2,537,349</u>	<u>2,505,081</u>	<u>1.29%</u>
Changes in net assets before capital contributions	88,239	79,952	1,661	(2,035)	89,900	77,917	15.38%
Capital contributions	0	0	0	2,647	0	2,647	-100.00%
Changes in net assets	88,239	79,952	1,661	612	89,900	80,564	11.59%
Net assets beginning of year	<u>2,020,428</u>	<u>1,940,476</u>	<u>30,212</u>	<u>29,600</u>	<u>2,050,640</u>	<u>1,970,076</u>	<u>4.09%</u>
Net assets end of year	<u>\$ 2,108,667</u>	<u>2,020,428</u>	<u>\$ 31,873</u>	<u>30,212</u>	<u>2,140,540</u>	<u>2,050,640</u>	<u>4.38%</u>

Property tax, income surtax, local option sales and service tax and unrestricted state grants (state aid and instructional support state aid) account for 64.56% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 91.14% of the total expenses.

### Governmental Activities

Total revenues for all of the District's governmental activities were \$2,521,471, an increase of 1.67% over the prior year. Total expenses for all of the Districts' governmental activities were \$2,433,232, an increase of 1.38% from the prior year. In a difficult budget year, the District did a remarkable job trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses. The net cost of services is the result after subtracting grants and charges for services that the district used to offset the program's total cost.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change	2007	2006	Change
			2006-07			2006-07
Instruction	\$ 1,568,874	1,544,981	1.55%	846,247	793,799	6.61%
Support services	743,563	717,724	3.60%	743,563	717,724	3.60%
Non-instructional programs	1,005	875	14.86%	1,005	875	14.86%
Other expenses	119,790	136,475	-12.23%	38,246	65,142	-41.29%
Totals	\$ 2,433,232	2,400,055	1.38%	1,629,061	1,577,540	3.27%

- The cost of all governmental activities this year was \$2,433,232.
- A portion of the cost financed by users of the District's programs was \$537,455.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$266,716.
- The net cost portion of governmental activities was financed with \$608,671 in property tax, \$87,218 in income surtax, \$131,760 in local option sales and services tax, \$868,732 in unrestricted state grants and \$21,279 in unrestricted investment earnings.

### Business-Type Activities

The District's only business-type activity is the School Nutrition Fund. Revenues of the District's business-type activities totaled \$105,778 in 2007, which is an increase of 2.71% over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses decreased .87% to \$104,117 for business-type activities in 2007. No new equipment was purchase with Nutrition Fund monies this fiscal year.

### Individual Fund Analysis

As previously noted, the Stanton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the District completed the year, its governmental funds reported combined fund balances of \$880,122, a decrease of \$57,386 less than last year's ending fund balances of \$937,508. In General Fund a federal Reap Grant of \$29,678, Title IIA Grant of \$12,708, and state Early Intervention Grant of \$13,569 helped fund specific teacher salaries.

### Governmental Fund Highlights

- The decrease of \$50,931 in the District's General Fund balance compared to the prior year reflects the impact of two years of declining enrollment and the continued Budget Guarantee rollback legislated by the state. Open enrollment of students into Stanton from other school districts continues to be beneficial for the District, with 73 students open enrolled into Stanton (and 7 students out) as of September 2006. Approval of grants also had a positive impact on revenues.

- While 75% of the revenue from Local Option Sales and Service Tax monies is used annually to reduce bonded indebtedness, the remaining 25% has been used for infrastructure projects. Ballot approval to expand the use of Local Option Sales and Service Tax monies includes allowing the district to purchase equipment costing over \$500, and this year \$32,153 of Capital Projects money was used to purchase computers and copiers and pay a portion of the cost for the Halland Sidewalk project.

### **Proprietary Fund Highlights**

- The School Nutrition Fund net assets increased slightly from \$30,212 in fiscal 2006 to \$31,873 in fiscal 2007, representing an increase of 5.50%. This slight increase was due to an increase in charges for services.

## **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional expenditures associated with the previously stated purchases equipment.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

### **Legal Budgetary Highlights**

- For the 2006-2007 fiscal year the District again budgeted on a GAAP basis. The District's total revenues for all funds were \$2,615,808, compared to the budgeted amount of \$2,571,290, which is \$44,518, or 1.73% more than budgeted. Areas where more revenue was received than budgeted include special education open enrollment tuition, Teacher Quality Basic allocation and Local Option Sales and Service Tax monies.
- Total GAAP expenditures for all funds were \$2,675,408, as compared to the budgeted figure for those funds of \$2,966,545. The District was successful in efforts to control expenditures.
- Expenditures for the district's instruction program budget were amended a net total increase of \$10,300.

## **Capital Asset and Debt Administration**

### **Capital Assets**

By the end of fiscal 2007, the District had invested governmental funds of \$1,175,162, net of accumulated depreciation, in a broad range of capital assets, including land, buildings athletic facilities, computers and audio-visual equipment, and transportation equipment. (See Figure A-6).

In comparing fiscal 2007 to fiscal 2006, the largest change in capital assets activity occurred in additions of machinery and equipment, which included a 2004 Blue Bird 65

passenger, diesel bus; two refurbished Gestetner 6002 Digital copiers; a Gestetner 5306L Copyprinter; purchase of computers; and a laptop computer for use by the principal. Major facility improvements have included upgrading the concourse restrooms to be handicapped accessible; completion of a second restroom in the elementary teacher's lounge; and the Halland Sidewalk project along the east side of the school, which was a joint project of the school, Stanton City Council, and the Stanton Optimist Club.

Accumulated depreciation under GASB 34 at 2007 year end totaled \$1,133,696 for governmental funds, and this figure includes \$71,319 for the current year.

The Proprietary, or School Nutrition Fund, has a total of \$16,847, net of accumulated depreciation, invested in capital assets. Excluding depreciation, the District has invested a total of \$47,548 in capital assets.

More detailed information about capital assets is available in Note 4 to the financial statements.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 52,726	52,726	0	0	52,726	52,726	0.00%
Buildings	904,475	921,194	0	0	904,475	921,194	-1.85%
Land improvements	67,190	58,107	0	0	67,190	58,107	13.52%
Machinery and equipment	133,924	105,560	16,847	19,191	150,771	124,751	17.26%
Total	<u>\$ 1,158,315</u>	<u>1,137,587</u>	<u>\$ 16,847</u>	<u>19,191</u>	<u>\$ 1,175,162</u>	<u>1,156,778</u>	<u>1.56%</u>

### Long-Term Debt

At year-end, the District had made the final payments in general obligation and other long-term debt outstanding. This represents a decrease of 100% from last year's balance of \$113,080. (See Figure A-7) No Early Retirement salary was paid in 2007. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7 Outstanding Long-Term Obligations			
	Total School District		Total
	2007	2006	Change
General obligation bonds	\$ 0	105,000	-100.0%
Early retirement	0	8,080	100.0%
Totals	<u>\$ 0</u>	<u>113,080</u>	<u>-100.0%</u>

## **Economic Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes where possible. Due to declining enrollment, the District has not received any new money for the past four years, and the state legislature's rollback in the budget guarantee will continue to have a negative impact on funding for the District.
- Compared to health insurance premium increases of 9.44% for 2005-2006, the premium increase for 2006-2007 was only .84%.
- Increases in utilities and gasoline/diesel fuel had a negative impact on the District's efforts to control expenditures.
- Contract negotiations with the Stanton Education Association were approved at a 3.87% increase for 2006-2007 salaries/benefits for certificated personnel and at a 4.5% increase for 2007-2008.
- Passage of a change in language for use of one cent Local Option Sales and Service Tax monies allowing the District to use these funds to purchase buses and equipment costing over \$500 has proved beneficial for the District.
- The final payment on long term debt for building the elementary school addition was made in June 2007. Funding for 75% of the General Obligation Bonds was designated from Local Option Sales and Service Tax monies.
- Income from the current Local Option Sales and Service Tax will continue through 2010, so the Board is considering the best use of those funds to enhance the District's facilities and programs.
- A significant number of students open enrolled into the Stanton School District and relatively few open enrolled out currently has a substantially positive impact on funding. The goal of the District is to continue providing a top quality educational program with high student expectations in all areas so Stanton Community School will continue to be an excellent school where all children can succeed.
- However, enrollment is down approximately 18 students for the 2006-2007 year, which will result in a deficit of approximately \$92,304. This will require a budget reduction plan covering the next several years and some significant decisions on the part of the board.
- The addition in summer 2005 of the Stanton Child Resource Center in Stanton, a preschool and daycare facility, is an enhancement for the entire community and potentially will lead to an increase in the number of students open enrolled into the school district.
- Looking ahead, it is hoped the subdivision project of "Valhalla Hills" on the northeast edge of the town will eventually not only provide an increased valuation for the district but also bring more families into the area for an increase in student enrollment.



## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carla Olson, Board Secretary, Stanton Community School District, 605 Elliott Street, Stanton, IA 51573.

## BASIC FINANCIAL STATEMENTS



STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents:	\$ 1,081,320	16,392	1,097,712
Receivables			
Property tax:			
Delinquent	9,708	0	9,708
Succeeding year	556,904	0	556,904
Income surtax	70,230	0	70,230
Accounts	2,238	0	2,238
Due from other governments	36,647	0	36,647
Inventories	0	3,671	3,671
Capital assets, net of accumulated depreciation (Note 4)	1,158,315	16,847	1,175,162
<b>TOTAL ASSETS</b>	<b>2,915,362</b>	<b>36,910</b>	<b>2,952,272</b>
<b>LIABILITIES</b>			
Accounts payable	45,369	317	45,686
Salaries and benefits payable	204,422	3,172	207,594
Deferred revenue:			
Succeeding year property tax	556,904	0	556,904
Unearned revenue	0	1,548	1,548
<b>TOTAL LIABILITIES</b>	<b>806,695</b>	<b>5,037</b>	<b>811,732</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,158,315	16,847	1,175,162
Restricted for:			
Talented and gifted	30,056	0	30,056
Market factor	1,903	0	1,903
Debt service	929	0	929
Capital projects	154,286	0	154,286
Management levy	101,756	0	101,756
Physical plant and equipment levy	11,087	0	11,087
Other special revenue purposes	68,727	0	68,727
Unrestricted	581,608	15,026	596,634
<b>TOTAL NET ASSETS</b>	<b>\$ 2,108,667</b>	<b>31,873</b>	<b>2,140,540</b>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 984,417	336,671	148,807	0	(498,939)	0	(498,939)
Special instruction	200,027	72,503	24,882	0	(102,642)	0	(102,642)
Other instruction	384,430	128,281	11,483	0	(244,666)	0	(244,666)
	1,568,874	537,455	185,172	0	(846,247)	0	(846,247)
Support services:							
Student services	63,127	0	0	0	(63,127)	0	(63,127)
Instructional staff services	17,886	0	0	0	(17,886)	0	(17,886)
Administration services	352,640	0	0	0	(352,640)	0	(352,640)
Operation and maintenance of plant services	183,207	0	0	0	(183,207)	0	(183,207)
Transportation services	126,703	0	0	0	(126,703)	0	(126,703)
	743,563	0	0	0	(743,563)	0	(743,563)
Non-instructional programs	1,005	0	0	0	(1,005)		(1,005)
Other expenditures:							
Facilities acquisitions	4,747	0	0	7,809	3,062	0	3,062
Long-term debt interest	4,539	0	0	0	(4,539)	0	(4,539)
AEA flowthrough	73,735	0	73,735	0	0	0	0
Depreciation(unallocated)*	36,769	0	0	0	(36,769)	0	(36,769)
	119,790	0	73,735	7,809	(38,246)	0	(38,246)
Total governmental activities	2,433,232	537,455	258,907	7,809	(1,629,061)	0	(1,629,061)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	104,117	67,949	37,786	0	0	1,618	1,618
Total business-type activities	104,117	67,949	37,786	0	0	1,618	1,618
Total	\$ 2,537,349	605,404	296,693	7,809	(1,629,061)	1,618	(1,627,443)
General Revenues:							
Property tax levied for:							
General purposes					\$ 553,969	0	553,969
Debt service					39,902	0	39,902
Capital outlay					14,800	0	14,800
Income surtax					87,218	0	87,218
Local option sales and services					131,760	0	131,760
Unrestricted state grants					868,372	0	868,372
Unrestricted investment earnings					21,279	43	21,322
Total general revenues					1,717,300	43	1,717,343
Changes in net assets					88,239	1,661	89,900
Net assets beginning of year					2,020,428	30,212	2,050,640
Net assets end of year					\$ 2,108,667	31,873	2,140,540

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 776,545	124,091	180,684	1,081,320
Receivables:				
Property tax:				
Delinquent	8,284	0	1,424	9,708
Succeeding year	506,960	0	49,944	556,904
Income surtax	70,230	0	0	70,230
Accounts	947	747	544	2,238
Due from other governments	5,605	31,042	0	36,647
<b>TOTAL ASSETS</b>	<b>\$ 1,368,571</b>	<b>155,880</b>	<b>232,596</b>	<b>1,757,047</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 43,622	1,594	153	45,369
Salaries and benefits payable	204,422	0	0	204,422
Deferred revenue:				
Succeeding year property tax	506,960	0	49,944	556,904
Income surtax	70,230	0	0	70,230
<b>Total liabilities</b>	<b>825,234</b>	<b>1,594</b>	<b>50,097</b>	<b>876,925</b>
<b>Fund balances:</b>				
Reserved for:				
Talented and gifted	30,056	0	0	30,056
Market factor	1,903	0	0	1,903
Debt service	0	0	929	929
Unreserved:				
Designated for special purpose	12,515	0	0	12,515
General	498,863	0	0	498,863
Capital projects	0	154,286	0	154,286
Management levy	0	0	101,756	101,756
Physical plant and equipment levy	0	0	11,087	11,087
Other special revenue purposes	0	0	68,727	68,727
<b>Total fund balances</b>	<b>543,337</b>	<b>154,286</b>	<b>182,499</b>	<b>880,122</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,368,571</b>	<b>155,880</b>	<b>232,596</b>	<b>1,757,047</b>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

<b>Total fund balances of governmental funds (page 18)</b>	\$ 880,122
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	1,158,315
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	<u>70,230</u>
<b>Net assets of governmental activites (page 16)</b>	<u><u>\$ 2,108,667</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 594,769	131,760	89,679	816,208
Tuition	372,449	0	0	372,449
Other	48,290	7,809	135,817	191,916
State sources	1,052,883	0	80	1,052,963
Federal sources	76,494	0	0	76,494
Total revenues	2,144,885	139,569	225,576	2,510,030
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	979,066	18,570	14,884	1,012,520
Special instruction	200,027	0	0	200,027
Other instruction	254,607	0	128,468	383,075
	1,433,700	18,570	143,352	1,595,622
Support services:				
Student services	62,326	0	201	62,527
Instructional staff services	17,487	0	201	17,688
Administration services	344,139	0	9,300	353,439
Operation and maintenance of plant services	174,751	0	7,975	182,726
Transportation services	93,553	0	47,201	140,754
	692,256	0	64,878	757,134
Non-instructional programs	0	0	1,005	1,005
Other expenditures:				
Facilities acquisitions	0	13,583	20,297	33,880
Long-term debt:				
Principal	0	0	105,000	105,000
Interest and fiscal charges	0	0	4,915	4,915
AEA flowthrough	73,735	0	0	73,735
	73,735	13,583	130,212	217,530
Total expenditures	2,199,691	32,153	339,447	2,571,291
Excess(deficiency) of revenues over(under) expenditures	(54,806)	107,416	(113,871)	(61,261)
Other financing sources(uses):				
Transfers in	0	0	69,640	69,640
Transfers out	0	(69,640)	0	(69,640)
Sale of equipment	3,875	0	0	3,875
Total other financing sources(uses)	3,875	(69,640)	69,640	3,875
Net change in fund balances	(50,931)	37,776	(44,231)	(57,386)
Fund balance beginning of year	594,268	116,510	226,730	937,508
Fund balance end of year	\$ 543,337	154,286	182,499	880,122

SEE NOTES TO FINANCIAL STATEMENTS.



STANTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 20) \$ (57,386)

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 96,121	
Depreciation expense	(71,319)	
Loss on disposal of assets	<u>(4,074)</u>	20,728

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	11,441
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Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:

Repaid	<u>105,000</u>
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement payable	<u>8,080</u>
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Changes in net assets of governmental activities (page 17)	<u><u>\$ 88,239</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 16,392
Inventories	3,671
Capital assets, net of accumulated depreciation (Note 4)	16,847
TOTAL ASSETS	<u>36,910</u>
LIABILITIES	
Accounts payable	317
Salaries and benefits payable	3,172
Unearned revenue	1,548
TOTAL LIABILITIES	<u>5,037</u>
NET ASSETS	
Invested in capital assets, net of related debt	16,847
Unrestricted	15,026
TOTAL NET ASSETS	<u>\$ 31,873</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 67,949
TOTAL OPERATING REVENUES	<u>67,949</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	38,152
Benefits	4,985
Services	532
Supplies	58,104
Depreciation	2,344
TOTAL OPERATING EXPENSES	<u>104,117</u>
OPERATING LOSS	<u>(36,168)</u>
NON-OPERATING REVENUES:	
State sources	1,615
Federal sources	36,171
Interest on investments	43
TOTAL NON-OPERATING REVENUES	<u>37,829</u>
Change in net assets	1,661
Net assets beginning of year	<u>30,212</u>
Net assets end of year	<u>\$ 31,873</u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

Exhibit I

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 68,151
Cash received from miscellaneous operating activities	155
Cash payments to employees for services	(42,702)
Cash payments to suppliers for goods or services	(54,539)
Net cash used in operating activities	<u>(28,935)</u>
Cash flows from non-capital financing activities:	
State grants received	1,615
Federal grants received	30,519
Net cash provided by non-capital financing activities	<u>32,134</u>
Cash flows from investing activities:	
Interest on investments	43
Net cash provided by investing activities	<u>43</u>
Net increase in cash and cash equivalents	3,242
Cash and cash equivalents at beginning of year	<u>13,150</u>
Cash and cash equivalents at end of year	<u>\$ 16,392</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (36,168)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	5,652
Depreciation	2,344
Increase in inventories	(684)
Decrease in accounts payable	(871)
Increase in salaries and benefits payable	435
Increase in deferred revenue	357
Net cash used in operating activities	<u>\$ (28,935)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 16,392</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$5,652.

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$          49,025</u>
TOTAL ASSETS	<u>                  49,025</u>
LIABILITIES	<u>                          0</u>
NET ASSETS	
Reserved for scholarships	<u><u>\$          49,025</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 156
Interest income	2,534
Total additions	<u>2,690</u>
Deductions:	
Support services:	
Scholarships awarded	<u>1,395</u>
Change in net assets	1,295
Net assets beginning of year	<u>47,730</u>
Net assets end of year	<u><u>\$ 49,025</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

STANTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Stanton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Stanton, Iowa, and the predominate agricultural territory in Page and Montgomery Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Stanton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Stanton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Montgomery and Page County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.



The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board

Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investments are all category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

The District's investments at June 30, 2007 are as follows:

Type	Fair Value
ING USA Annuity and Life Insurance Company	\$ 11,687

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but maturities shall be consistent with the needs and use of the district.

### (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 69,640

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,726	0	0	52,726
Total capital assets not being depreciated	52,726	0	0	52,726
Capital assets being depreciated:				
Buildings	1,573,556	15,826	0	1,589,382
Land improvements	71,172	13,307	0	84,479
Machinery and equipment	572,783	66,988	74,347	565,424
Total capital assets being depreciated	2,217,511	96,121	74,347	2,239,285
Less accumulated depreciation for:				
Buildings	652,362	32,545	0	684,907
Land improvements	13,065	4,224	0	17,289
Machinery and equipment	467,223	34,550	70,273	431,500
Total accumulated depreciation	1,132,650	71,319	70,273	1,133,696
Total capital assets being depreciated, net	1,084,861	24,802	4,074	1,105,589
Governmental activities capital assets, net	\$ 1,137,587	24,802	4,074	1,158,315

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 47,548	0	0	47,548
Less accumulated depreciation	28,357	2,344	0	30,701
Business-type activities capital assets, net	<u>\$ 19,191</u>	<u>(2,344)</u>	<u>0</u>	<u>16,847</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular \$ 5,266

Other 1,355

Support services:

Student support 600

Instructional staff 198

Administration 701

Operation and maintenance of plant 481

Transportation 25,949

34,550

Unallocated depreciation

36,769

Total depreciation expense - governmental activities

\$ 71,319

Business-type activities:

Food service operations \$ 2,344

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 105,000	0	105,000	0	0
Early retirement	8,080	0	8,080	0	0
	<u>\$ 113,080</u>	<u>0</u>	<u>113,080</u>	<u>0</u>	<u>0</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed twenty years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will pay 20% of the employee's contracted base salary in the last year of employment less the employee's share of FICA.

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by

State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$79,146, \$77,794 and \$72,725, respectively, equal to the required contributions for each year.

**(7) Risk Management**

The Stanton Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2007 were \$186,768.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

Stanton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$73,735 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION



STANTON COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Fund Types	Fund Type		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 1,380,573	67,992	1,448,565	1,423,238	1,423,238	25,327
State sources	1,052,963	1,615	1,054,578	1,034,952	1,034,952	19,626
Federal sources	76,494	36,171	112,665	113,100	113,100	(435)
Total revenues	2,510,030	105,778	2,615,808	2,571,290	2,571,290	44,518
Expenditures:						
Instruction	1,595,622	0	1,595,622	1,686,700	1,697,000	101,378
Support services	757,134	0	757,134	886,750	886,750	129,616
Non-instructional programs	1,005	104,117	105,122	114,900	114,900	9,778
Other expenditures	217,530	0	217,530	267,895	267,895	50,365
Total expenditures	2,571,291	104,117	2,675,408	2,956,245	2,966,545	291,137
Excess(deficiency) of revenues over(under) expenditures	(61,261)	1,661	(59,600)	(384,955)	(395,255)	(335,655)
Other financing sources, net	3,875	0	3,875	0	0	(3,875)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(57,386)	1,661	(55,725)	(384,955)	(395,255)	(339,530)
Balance beginning of year	937,508	30,212	967,720	845,699	845,699	122,021
Balance end of year	\$ 880,122	31,873	911,995	460,744	450,444	461,551

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$10,300.

OTHER SUPPLEMENTARY INFORMATION

STANTON COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007

	Special Revenue Funds					Total
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 101,198	68,336	10,853	180,387	297	180,684
Receivables:						
Property tax:						
Current year delinquent	558	0	234	792	632	1,424
Succeeding year	35,000	0	14,944	49,944	0	49,944
Accounts	0	544	0	544	0	544
TOTAL ASSETS	\$ 136,756	68,880	26,031	231,667	929	232,596
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	153	0	153	0	153
Deferred revenue:						
Succeeding year property tax	35,000	0	14,944	49,944	0	49,944
Total liabilities	35,000	153	14,944	50,097	0	50,097
Fund balances:						
Reserved for:						
Debt service	0	0	0	0	929	929
Unreserved:						
Undesignated	101,756	68,727	11,087	181,570	0	181,570
Total fund balances	101,756	68,727	11,087	181,570	929	182,499
TOTAL LIABILITIES AND FUND BALANCES	\$ 136,756	68,880	26,031	231,667	929	232,596

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds				Total
	Physical		Total	Debt	Other
	Manage-	Student	Equipment	Special	Nonmajor
	ment	Activity	Levy	Revenue	Governmental
				Service	Funds
REVENUES:					
Local sources:					
Local tax	\$ 34,977	0	14,800	49,777	39,902
Other	6,666	128,494	86	135,246	571
State sources	31	0	13	44	36
TOTAL REVENUES	41,674	128,494	14,899	185,067	40,509
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	14,884	0	0	14,884	0
Other instruction	0	128,468	0	128,468	0
Support services:					
Student support services	201	0	0	201	0
Instructional staff	201	0	0	201	0
Administration services	9,300	0	0	9,300	0
Operation and maintenance of plant services	7,975	0	0	7,975	0
Student transportation	7,701	0	39,500	47,201	0
Non-instructional programs					
Food service operations	1,005	0	0	1,005	0
Other expenditures:					
Facilities acquisitions	0	0	20,297	20,297	0
Long-term debt:					
Principal	0	0	0	0	105,000
Interest and fiscal charges	0	0	0	0	4,915
TOTAL EXPENDITURES	41,267	128,468	59,797	229,532	109,915
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	407	26	(44,898)	(44,465)	(69,406)
OTHER FINANCING SOURCES:					
Transfers in	0	0	0	0	69,640
Total other financing sources	0	0	0	0	69,640
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	407	26	(44,898)	(44,465)	234
FUND BALANCE BEGINNING OF YEAR	101,349	68,701	55,985	226,035	695
FUND BALANCE END OF YEAR	\$ 101,756	68,727	11,087	181,570	929

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest on Investments	\$ 0	214	214	0
School Play	1,310	343	1,063	590
Declam	0	0	263	(263)
Musical Events	6,291	8,352	9,038	5,605
Elementary Music	2,999	1,601	1,585	3,015
Band Repair	(136)	1,138	1,002	0
Athletic Fundraisers	3,236	3,120	4,367	1,989
Cheerleaders	2,415	982	1,840	1,557
Athletics	20,979	29,931	30,880	20,030
Class of 2008	994	10,985	9,101	2,878
Class of 2009	693	2,708	905	2,496
Class of 2010	433	250	0	683
Class of 2011	198	245	30	413
Class of 2012	0	135	0	135
Class of 2013	3,874	1,410	5,284	0
Class Gifts	2,352	0	0	2,352
Future Farmers	4,511	13,657	12,200	5,968
FCCLA	442	7,482	6,095	1,829
Math Club	253	0	0	253
National Honor Society	577	306	295	588
Pep Club	1,572	2,527	2,412	1,687
Student Council	4,642	6,831	7,007	4,466
Yearbook	9,042	9,460	8,335	10,167
Student Projects	72	424	465	31
Commissary	(656)	9,368	8,544	168
Student Book Fair	689	1,264	1,224	729
Elementary Field Trip	0	974	974	0
Co-Curricular	1,733	6,173	6,727	1,179
FCCLA Fundraiser	186	7,780	7,784	182
FCS Student Project	0	834	834	0
Total	\$ 68,701	128,494	128,468	68,727

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

STANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUND TYPES  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 816,208	812,404	774,478	839,447
Tuition	372,449	416,239	363,162	288,017
Other	191,916	180,176	175,811	199,578
State sources	1,052,963	987,922	1,037,699	964,363
Federal sources	76,494	83,266	102,547	131,029
Total	<u>\$ 2,510,030</u>	<u>2,480,007</u>	<u>2,453,697</u>	<u>2,422,434</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,012,520	978,668	914,534	892,927
Special instruction	200,027	191,453	172,608	186,612
Other instruction	383,075	365,349	372,540	349,119
Support services:				
Student services	62,527	59,583	57,849	58,727
Instructional staff services	17,688	9,940	6,294	9,633
Administration services	353,439	352,493	336,369	291,741
Operation and maintenance of plant services	182,726	184,976	164,924	173,358
Transportation services	140,754	114,529	145,957	69,617
Central services	0	0	0	9,162
Non-instructional programs	1,005	875	2,075	2,518
Other expenditures:				
Facilities acquisitions	33,880	21,018	6,844	49,206
Long-term debt:				
Principal	105,000	100,000	95,000	95,000
Interest and other charges	4,915	9,165	13,155	16,998
AEA flow-through	73,735	71,333	72,446	72,998
Total	<u>\$ 2,571,291</u>	<u>2,459,382</u>	<u>2,360,595</u>	<u>2,277,616</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Stanton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Stanton Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 26, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Stanton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Stanton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Stanton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Stanton Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Stanton Community School District's financial statements that is more than inconsequential will not be prevented or detected by Stanton Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Stanton Community School District's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

#### Compliance and Other Matters

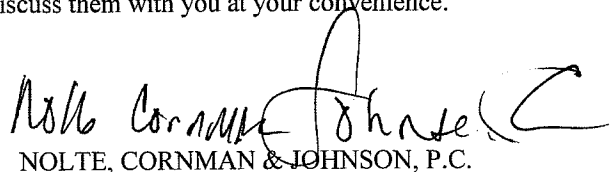
As part of obtaining reasonable assurance about whether Stanton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Stanton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Stanton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Stanton Community School District and other parties to whom Stanton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Stanton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

December 26, 2007

STANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

- I-B-07 Activity Admissions - The Activity gate admissions and change box were not reconciled with pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for activity admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response - Our facility does not lend itself to such a procedure. However, we will review our present procedures and consider the recommended reconciliation procedures.

Conclusion - Response accepted.

- I-C-07 Photo Image Checks - We noted during our audit that District receives their checks from the bank as photo images showing only the front of the checks. Per Chapter 544D.114 of the Code of Iowa, the District is required to have retained both the front and back of check images.

Recommendation - The District should contact the bank to rectify the situation. The District should receive the photo images showing both the front and back of the checks or the original issued check.

Response - The bank has been notified and will photo image fronts and backs of all checks for the school.

Conclusion - Response accepted.

I-D-07 Student Activity Fund - During our audit we questioned the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). A more specific example of these instances is as follows:

Book fairs which are used as fundraisers for library books are recorded in the Student Activity accounts. The library books should not be purchased from the Student Activity Funds.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. Fundraisers to purchase library books should be recorded in the General Fund.

Response - Scholastic Book Fair money is now run through the General Fund.

Conclusion - Response accepted.

STANTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Don Hicks, Teacher Paint Partnership	Painting	\$837

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the teacher do not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-07 Financial Condition - The District had one account in the Student Activity Fund with a deficit balance at June 30, 2007.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from this account. The District should investigate alternatives to eliminate the deficit balance.

Response - We will review the situation and take the necessary steps to try to eliminate the deficit balance.

Conclusion - Response accepted.